Benefits from CAFTA-DR
New Jersey

U.S. Department of Commerce
International Trade Administration
March 2005

New Jersey's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $207 million in 2004, the 17th-largest total among the 50 states.

New Jersey's exports to the CAFTA-DR region grew from 2000 to 2004 by $13 million, a gain of 6 percent. Exports to the CAFTA-DR region in 2004 accounted for 1.1 percent of the state's total world exports.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for New Jersey. In 2004, the Dominican Republic alone received merchandise from New Jersey totaling $65 million; Costa Rica ($47 million), Honduras ($40 million), and Guatemala ($35 million) were also significant export destinations.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

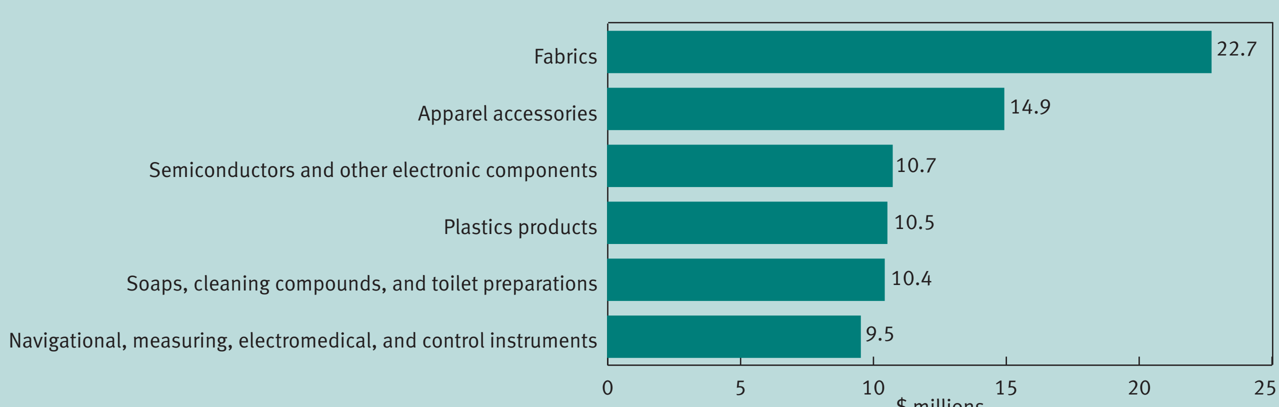
CAFTA-DR will boost opportunities for New Jersey's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

Continued on reverse

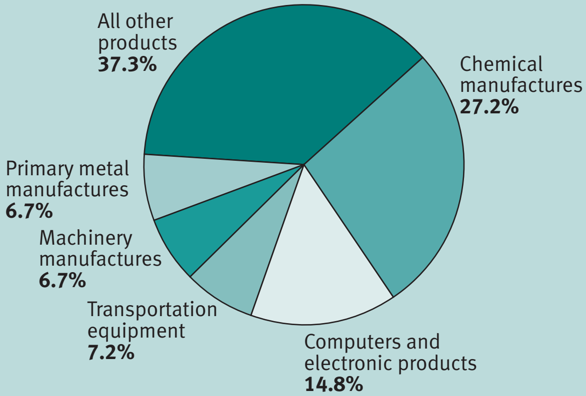
New Jersey Exported $200.3 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Fabrics and Apparel Accessories Lead



Source: U.S. Department of Commerce.

New Jersey Exported $19.2 Billion in Goods to the World in 2004

Chemical Manufactures Lead Exports



Source: U.S. Department of Commerce.

CAFTA-DR Improves the Competitiveness of New Jersey's Textile Manufacturers

New Jersey's fabric mill products exports to the CAFTA-DR region are growing, increasing more than three-fold from $10 million in 2000 to $33 million in 2004. The top export within the fabric mill product category, indeed the top export across all sectors, is fabrics. In 2004, New Jersey exported fabrics to the region valued at $23 million, up $14 million from 2000.

CAFTA-DR provides regional garment-makers—and their U.S. suppliers of fabric and yarn—a critical advantage in competing with Asia. Garments made in the region will be duty-free under the agreement, if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. Textile and garment factories in Central America and the Dominican Republic purchase large amounts of fabric and yarn from the United States: the region is the second-largest world market for U.S. textile fabrics and yarns.

CAFTA-DR Opens Markets for Other Key New Jersey Exports

Manufactured goods accounted for 97 percent of New Jersey's total merchandise exports to the CAFTA-DR region in 2004. New Jersey's other leading manufactured exports to the CAFTA-DR region in 2004 included apparel accessories ($15 million), semiconductors and other electrical components ($11 million), plastics products ($11 million), and soaps, cleaning compounds, and toilet preparations ($10 million).

Computer and electronic products. CAFTA-DR improves market access for information technology goods and service providers. All exports covered by the Information Technology agreement, including important New Jersey exports such as semiconductors and other electronic components, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement. New Jersey exporters have already registered strong export growth for semiconductors and other electrical components (up $7 million from 2000 to 2004).

Other manufactured products. From 2000 to 2004, the largest percentage increases in New Jersey's manufactured exports to the CAFTA-DR group were registered by ventilation, heating, air conditioning, and commercial refrigeration equipment; engines, turbines, and power transmission equipment; fibers, yarns, and threads; ships and boats; and hardware.

CAFTA-DR should enhance opportunities for exports in these and other sectors. In particular, tariff elimination on high-value electrical power generation and distribution equipment and industrial machinery equipment is timely. These sectors are excellent prospects for exports to the CAFTA-DR countries. The region is upgrading its energy infrastructure, and a construction boom is fueling demand for heating, cooling and commercial refrigeration equipment.

New Jersey's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, New Jersey's exports to Chile grew by 50 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, New Jersey's combined exports to Canada and Mexico have increased more than 81 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.